EXHIBIT 11 – PART 5 OF 8

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(In millions of dollars)	Common Stock	Additional Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 1997	$ .8	$ 533.8	$ (417.6)	$ -	$ 117.0
Net income/Comprehensive income	-	-	6	-	.6
Stock options exercised	-	.1	-	-	1
Incentive plan accretion	-	1 5	-	-	1.5
Balance, December 31, 1998	.8	535 4	(417.0)	-	119.2
Net income (loss)	-	-	(54 1)	-	(54.1)
Minimum pension liability adjustment, net of tax	-	-	-	(1.2)	(1 2)
Comprehensive income (loss)	-	-	-	-	(55.3)
Stock options exercised	-	1	-	-	1
Incentive plan accretion	-	1.3	-	-	1.3
Balance, December 31, 1999	.8	536 8	(471.1)	(1.2)	65 3
Net income	-	-	16 8	-	16.8
Minimum pension liability adjustment, net of tax	-	-	-	(.6)	(.6)
Comprehensive income	-	-	-	-	16.2
Incentive plan accretion	-	7	-	-	.7
Balance, December 31, 2000	$ 8	$ 537.5	$ (454.3)	$ (1.8)	$ 82.2

The accompanying notes to consolidated financial statements are an integral part of these statements.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
(In millions of dollars)	2000	1999	1998
Cash flows from operating activities.			
Net income (loss)	$ 16.8	$ (54.1)	$ .6
Adjustments to reconcile net income to net cash (used) provided by operating activities:			
Depreciation and amortization (including deferred financing costs of $4.4, $4.3 and $3.9)	81 3	93.8	103.0
Non-cash impairment charges (Notes 1 and 6)	63 3	19 1	45.0
Gain on involuntary conversion at Gramercy facility	-	(85.0)	-
Gains - real estate related (2000), sale of interests in AKW L.P. (1999)	(39.0)	(50.5)	-
Non-cash benefit for income taxes	-	-	(8 3)
Equity in loss (income) of unconsolidated affiliates, net of distributions	13 1	(4 9)	1
Minority interests	(3.0)	(3.1)	(.1)
(Increase) decrease in trade and other receivables	(168 8)	21 7	61 5
Decrease (increase) in inventories	125.8	(2.6)	24 8
Decrease (increase) in prepaid expenses and other current assets	20 8	(66 9)	30 1
(Decrease) increase in accounts payable (associated with operating activities) and accrued interest	(29 7)	58 8	(3.2)
Increase (decrease) in payable to affiliates and other accrued liabilities	68.9	19.6	(45.3)
Decrease in accrued and deferred income taxes	(10 2)	(55 2)	(26.2)
Net (used) provided by long-term assets and liabilities	(69 4)	15.7	(23.9)
Other	14.7	4.3	12.6
Net cash provided (used) by operating activities	84.6	(89.3)	170.7
Cash flows from investing activities.			
Capital expenditures, net of accounts payable of $34.6 in 2000	(261.9)	(68.4)	(77.6)
Gramercy-related property damage insurance recoveries	100 0	-	-
Net proceeds from disposition of property and investments	66 9	74.8	6.7
Other	.2	(3.3)	(3.5)
Net cash (used) provided by investing activities	(94.8)	3.1	(74.4)
Cash flows from financing activities:			
Borrowings under credit agreement, net	20.0	10.4	-
Repayments of long-term debt	(4 4)	(.6)	(8.9)
Redemption of minority interests' preference stocks	(2.8)	(1.6)	(8.7)
Incurrence of financing costs	(.4)	-	(.6)
Capital stock issued	-	1	.1
Decrease in restricted cash, net	-	8	4.3
Net cash provided (used) by financing activities	12.4	9 1	(13 8)
Net increase (decrease) in Cash and cash equivalents during the year	2.2	(77.1)	82.5
Cash and cash equivalents at beginning of year	21 2	98.3	15 8
Cash and cash equivalents at end of year	$ 23 4	$ 21 2	$ 98 3
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest of $6.5, $3.4 and $3.0	$ 105 3	$ 105.4	$ 106.3
Income taxes paid	19.6	24.1	16 8

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share amounts)

1. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the statements of Kaiser Aluminum Corporation ("Kaiser" or the "Company") and its majority owned subsidiaries. The Company is a subsidiary of MAXXAM Inc. ("MAXXAM") and conducts its operations through its wholly-owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"). KACC operates in all principal aspects of the aluminum industry-the mining of bauxite (the major aluminum bearing ore), the refining of bauxite into alumina (the intermediate material), the production of primary aluminum, and the manufacture of fabricated and semi-fabricated aluminum products. Kaiser's production levels of alumina, before consideration of the Gramercy incident (see Note 2), and primary aluminum exceed its internal processing needs, which allows it to be a major seller of alumina and primary aluminum to domestic and international third parties (see Note 14).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties, with respect to such estimates and assumptions, are inherent in the preparation of the Company's consolidated financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's consolidated financial position and results of operation

Investments in 50%-or-less-owned entities are accounted for primarily by the equity method. Intercompany balances and transactions are eliminated

Net sales and cost of products sold for 1999 and 1998 have been restated to conform to a new accounting principle that requires freight charges ($39 3 in 1999 and $46 0 in 1998) to be included in cost of products sold

Liquidity/Cash Resources. KACC has significant near-term debt maturities. KACC's ability to make payments on and refinance its debt depends on its ability to generate cash in the future. In addition to being impacted by power sales and normal operating items, the Company's and KACC's near-term liquidity and cash flows will also be affected by the Gramercy incident, net payments for asbestos-related liabilities and possible proceeds from asset dispositions. For discussions of these matters, see Notes 2, 7, 8 and 12

Recognition of Sales. Sales are recognized when title, ownership and risk of loss pass to the buyer. No changes were required to the Company's revenue recognition policy as a result of Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements", which became effective during 2000.

Earnings per Share. Basic earnings per share is computed by dividing the weighted average number of common shares outstanding during the period, including the weighted average impact of the shares of common stock issued during the year from the date(s) of issuance.

Diluted earnings per share for the years ended December 31, 2000 and 1998 include the dilutive effect of outstanding stock options (3,000 shares and 41,000 shares, respectively). The impact of outstanding stock options was excluded from the computation of diluted loss per share for the year ended December 31, 1999, as its effect would have been antidilutive

Cash and Cash Equivalents. The Company considers only those short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents

Inventories. Substantially all product inventories are stated at last-in, first-out ("LIFO") cost, not in excess of market value Replacement cost is not in excess of LIFO cost. Inventories at December 31, 2000, have been reduced by LIFO inventory charges totaling $24 1 ($ 6 in cost of products sold and $23.5 in non-recurring operating items, net) The non-recurring LIFO charges result primarily from the Washington smelters' curtailment ($4.5), the exit from the can body stock product line ($11.1) and the delayed restart of the Gramercy facility ($7.0). Other inventories, principally operating supplies and repair and maintenance parts, are stated at the lower of average cost or market. Inventory costs consist of material, labor, and manufacturing overhead, including depreciation. Inventories consist of the following:

	December 31, 2000	December 31, 1999
Finished fabricated products	$ 54.6	$ 118.5
Primary aluminum and work in process	126.9	189.4
Bauxite and alumina	88.6	124.1
Operating supplies and repair and maintenance parts	126.1	114.1
	$ 396 2	$ 546.1

Depreciation Depreciation is computed principally by the straight-line method at rates based on the estimated useful lives of the various classes of assets. The principal estimated useful lives of land improvements, buildings, and machinery and equipment are 8 to 25 years, 15 to 45 years, and 10 to 22 years, respectively.

Stock-Based Compensation The Company applies the intrinsic value method to account for a stock-based compensation plan whereby compensation cost is recognized only to the extent that the quoted market price of the stock at the measurement date exceeds the amount an employee must pay to acquire the stock No compensation cost has been recognized for this plan as the exercise price of the stock options granted in 2000, 1999 and 1998 were at or above the market price The pro forma after-tax effect of the estimated fair value of the grants would be to reduce net income in 2000 by $2 2, increase the net loss in 1999 by $1.8 and reduce net income in 1998 by $1.5. The fair value of the 2000, 1999 and 1998 stock option grants were estimated using a Black-Scholes option pricing model

Other Income (Expense) Amounts included in other income (expense) in 2000, 1999 and 1998, other than interest expense and gain on involuntary conversion at the Gramercy facility, included the following pre-tax gains (losses).

	Year Ended December 31, 2000	1999	1998
Asbestos-related charges (Note 12)	$ (43 0)	$ (53 2)	$ (12.7)
Gain on sale of Pleasanton complex (Note 4)	22.0	-	-
Lease obligation adjustment (Note 12)	17 0	-	-
Mark-to-market gains (losses) (Note 13)	11.0	(32 8)	-
Gain on sale of interests in AKW L P (Note 3)	-	50.5	-
Environmental cost insurance recoveries (Note 12)	-	-	12 0
All other, net	(11.3)	(4)	4.2
	$ (4.3)	$ (35 9)	$ 3 5

Deferred Financing Costs. Costs incurred to obtain debt financing are deferred and amortized over the estimated term of the related borrowing Such amortization is included in Interest expense

Foreign Currency. The Company uses the United States dollar as the functional currency for its foreign operations

Derivative Financial Instruments Hedging transactions using derivative financial instruments are primarily designed to mitigate KACC's exposure to changes in prices for certain of the products which KACC sells and consumes and, to a lesser extent, to mitigate KACC's exposure to changes in foreign currency exchange rates. KACC does not utilize derivative financial instruments for trading or other speculative purposes KACC's derivative activities are initiated within guidelines established by management and approved by KACC's and the Company's boards of directors. Hedging transactions are executed centrally on behalf of all of KACC's business segments to minimize transaction costs, monitor consolidated net exposures and allow for increased responsiveness to changes in market factors.

Most of KACC's hedging activities involve the use of option contracts (which establish a maximum and/or minimum amount to be paid or received) and forward sales contracts (which effectively fix or lock-in the amount KACC will pay or receive). Option contracts typically require the payment of an up-front premium in return for the right to lock-in a minimum or maximum price. Forward sales contracts do not require an up-front payment and are settled by the receipt or payment of the amount by which the price at the settlement date varies from the contract price. Consistent with accounting guidelines in place through December 31, 2000, any interim fluctuations in option prices prior to the settlement date were deferred until the settlement date of the underlying hedged transaction, at which time they were reflected in net sales or cost of products sold (as applicable) together with the related premium cost. No accounting recognition was accorded to interim fluctuations in prices of forward sales contracts. Hedge (deferral) accounting would have been terminated (resulting in the applicable derivative positions being marked-to-market) if the level of underlying physical transactions ever fell below the net exposure hedged. This did not occur in 1998, 1999 or 2000. Deferred gains or losses as of December 31, 2000, were included in Prepaid expenses and other current assets and Other accrued liabilities (see Note 13)

Beginning with the quarterly period ending March 31, 2001, the Company will begin reporting derivative activities consistent with Statement of Financial Accounting Standards ("SFAS") No 133, *Accounting for Derivative Instruments and Hedging Activities* SFAS No. 133, which has been adopted as of January 1, 2001, requires companies to recognize all derivative instruments as assets or liabilities in the balance sheet and to measure those instruments at fair value. Under SFAS No. 133, the Company will be required to "mark-to-market" all of its hedging positions at each period-end. This contrasts with guidance under pre-2001 accounting principles which generally only required certain "non-qualifying" hedging positions to be marked-to-market Changes in the market value of the Company's open hedging positions resulting from the mark-to-market process will represent unrealized gains or losses. Such unrealized gains or losses will change, based on prevailing market prices at each subsequent balance sheet date, until the transaction date occurs. Under SFAS No 133, these changes will be reflected as an increase or reduction in stockholders' equity through either other comprehensive income or net income, depending on the nature of the hedging instrument used. To the extent that changes in market value of the Company's hedging positions are initially recorded in other comprehensive income, such changes will reverse out of other comprehensive income (net of any fluctuations in other "open" positions) and will be reflected in net income when the subsequent physical transactions occur. As of December 31, 2000, the amount of the Company's other comprehensive income adjustments were not significant so there was not a significant difference between net income and comprehensive income. However, differences between comprehensive income and net income may become significant in future periods as a result of SFAS No 133 In general, SFAS No. 133 will result in material fluctuations in comprehensive income, net income and stockholders' equity in periods of price volatility, despite the fact that the Company's cash flow and earnings will be "fixed" to the extent hedged. This result is contrary to the intent of the Company's hedging program, which is to "lock-in" a price (or range of prices) for products sold/used so that earnings and cash flows are subject to reduced risk of volatility.

SFAS No. 133 requires that as of the date of the initial adoption, the difference between the market value of derivative instruments recorded on the Company's consolidated balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle. As previously discussed, this impact will be reflected in the Company's first quarter 2001 financial statements. The adoption of SFAS No. 133 will result in a pre-tax benefit of $21 2 to other comprehensive income and an essentially offsetting pre-tax charge of $18.9 to earnings, such that the net effect of the adoption of SFAS No 133 on stockholders' equity will be small See Note 13 for additional discussions regarding the Company's derivatives

Fair Value of Financial Instruments. The Company estimates the fair value of its outstanding indebtedness to be $793 3 and $970.5 as of December 31, 2000 and 1999, respectively, based on quoted market prices for KACC's 9⅞% Senior Notes due 2002 (the "9⅞% Notes"), 12¾% Senior Subordinated Notes due 2003 (the "12¾% Notes"), and 10⅞% Senior Notes due 2006 (the "10⅞% Notes"), and the discounted future cash flows for all other indebtedness, using the current rate for debt of similar maturities and terms. The Company believes that the carrying amount of other financial instruments is a reasonable estimate of their fair value, unless otherwise noted.

2. Incident at Gramercy Facility

In July 1999, KACC's Gramercy, Louisiana alumina refinery was extensively damaged by an explosion in the digestion area of the plant. A number of employees were injured in the incident, several of them severely. In connection with the settlement of the U.S Mine Safety and Health Administration's ("MSHA") investigation of the incident, KACC is paying a fine of $ 5 but denied the alleged violations As a result of the incident, alumina production at the facility was completely curtailed Construction on the damaged part of the facility began during the first quarter of 2000. Initial production at the plant commenced during the middle of December 2000. The plant is expected to increase production progressively to approximately 75% of its newly rated estimated annual capacity of 1,250,000 tons by the end of March 2001. At February 28, 2001, the plant was operating at 70% of capacity Based on current estimates, construction at the facility is expected to be completed during the third quarter of 2001

KACC has significant amounts of insurance coverage related to the Gramercy incident. Deductibles and self-retention provisions under the insurance coverage for the incident total $5.0, which amounts were charged to Other non-recurring operating items, net in 1999 (Note 6). KACC's insurance coverage has five separate components: property damage, clean-up and site preparation, business interruption, liability and workers' compensation. The insurance coverage components are discussed below.

Property Damage. KACC's insurance policies provide that KACC will be reimbursed for the costs of repairing or rebuilding the damaged portion of the facility using new materials of like kind and quality with no deduction for depreciation In 1999, based on discussions with the insurance carriers and their representatives and third party engineering reports, KACC recorded a pre-tax gain of $85.0, representing the difference between the minimum expected property damage reimbursement amount of $100.0 and the net carrying value of the damaged property of $15.0. The reimbursement amount was classified as a receivable in Other assets at December 31, 1999. The full amount of the receivable was collected in 2000. Additional recoveries are possible. See "Timing and Amount of Additional Insurance Recoveries" below.

Clean-up and Site Preparation. The Gramercy facility incurred incremental costs for clean-up and other activities during 1999 and 2000. These clean-up and site preparation activities have been offset by accruals of approximately $24 0, of which $10 0 were accrued in 2000, for estimated insurance recoveries

Business Interruption. KACC's insurance policies provide for the reimbursement of specified continuing expenses incurred during the interruption period plus lost profits (or less expected losses) plus other expenses incurred as a result of the incident Operations at the Gramercy facility and a sister facility in Jamaica, which supplies bauxite to Gramercy, will continue to incur operating expenses until full production at the Gramercy facility is restored Through December 2000, KACC purchased alumina from third parties, in excess of the amounts of alumina available from other KACC-owned facilities, to supply these customers' needs as well as to meet intersegment requirements The excess cost of such open market purchases was substantially offset by insurance recoveries. However, the insurers have alleged that certain sublimits within KACC's insurance coverage have been reached, and, accordingly, any additional excess purchase costs incurred in 2001 will be substantially unreimbursed. However, as the facility is approaching 75% of its newly rated production capacity, any such unreimbursed costs will be limited The insurers have also asserted that no additional business interruption amounts are due after November 30, 2000. After considering all of the foregoing items, KACC recorded expected business interruption insurance recoveries totaling $151.0, of which $110.0 was recorded in the year ended December 31, 2000, as a reduction of Cost of products sold, which amounts substantially offset actual expenses incurred during these periods. Such business interruption insurance amounts represent estimates of KACC's business interruption coverage based on discussions with the insurance carriers and their representatives and are therefore subject to change. See "Timing and Amount of Additional Insurance Recoveries" below

Depreciation expense for the first six months of 1999 was approximately $6 0. KACC suspended depreciation at the facility starting in July 1999 since production had been completely curtailed. However, in accordance with an agreement with KACC's insurers, during the second half of 2000, the Company recorded a depreciation charge of $14.3, of which $1.5 was recorded in the fourth quarter, representing the previously unrecorded depreciation related to the undamaged portion of the facility for the period from July 1999 through November 2000. However, this charge did not have any impact on the Company's operating results as the Company has reflected (as a reduction of depreciation expense) an equal and offsetting insurance receivable (incremental to the amounts discussed in the preceding paragraph) since the insurers have agreed to reimburse the Company this amount. Since production at the facility was partially restored during December 2000, normal depreciation has commenced Such depreciation will exceed prior historical rates primarily due to the capital costs on the newly constructed assets.

Liability The incident has also resulted in more than ninety individual and class action lawsuits being filed against KACC and others alleging, among other things, property damage, business interruption losses by other businesses and personal injury. The aggregate amount of damages sought in the lawsuits and other claims cannot be determined at this time however, KACC does not currently believe the damages will exceed the amount of coverage under its liability policies.

Workers' Compensation. While it is presently impossible to determine the aggregate amount of claims that may be incurred, KACC currently believes that any amount in excess of the coverage limitations will not have a material effect on the Company's consolidated financial position or liquidity. However, it is possible that as additional facts become available, additional charges may be required and such charges could be material to the period in which they are recorded.

Timing and Amount of Additional Insurance Recoveries. Through December 31, 2000, the Company had recorded $289.3 of estimated insurance recoveries related to the property damage, clean-up and site preparation and business interruption aspects of the Gramercy incident and had collected $252.6 of such amounts. Through February 2001, an additional $10.0 had been received with respect to the estimated recoveries at year-end 2000 and an additional $7.0 is expected in March 2001. The remaining balance of approximately $20.0 and any additional amounts possibly due to KACC are not expected to be recovered until KACC and the insurers resolve their differences. KACC and the insurers are currently negotiating an arbitration agreement as a means of resolving their differences. The Company anticipates that the remaining issues will not be resolved until late 2001 or early 2002. KACC and the Company continue to believe that a minimum of approximately $290.0 of insurance recoveries are probable, that additional amounts are owed to KACC by the insurers, and that the likelihood of any refund by KACC of amounts previously received from the insurers is remote. However, no assurances can be given as to the ultimate outcome of this matter or its impact on the Company's and KACC's near-term liquidity and results of operations.

Neither KACC nor the Company intend to record any additional insurance-related recoveries in 2001 unless and until agreed to by the insurers or until the arbitration process is completed. As such, the Company's and KACC's future operating results will be adversely affected until all of the additional costs/lost profits related to the Gramercy plant's start-up and return to full production are eliminated or until any amounts related to 2001 ultimately determined to be due to KACC through negotiation with the insurers or as a part of the arbitration process are received.

Other. During the third quarter of 2000, KACC incurred approximately $11.5 of normal recurring maintenance expenditures for the Gramercy facility (which amounts were reflected in Other non-recurring operating items, net - see Note 6) that otherwise would have been incurred in the ordinary course of business over the next one to three years. The Company chose to incur these expenditures now to avoid normal operational outages that otherwise would have occurred once the facility resumes production.

3. Investments In and Advances To Unconsolidated Affiliates

Summary of combined financial information is provided below for unconsolidated aluminum investments, most of which supply and process raw materials. The investees are Queensland Alumina Limited ("QAL") (28 3% owned), Anglesey Aluminium Limited ("Anglesey") (49.0% owned) and Kaiser Jamaica Bauxite Company (49.0% owned). The equity in income (loss) before income taxes of such operations is treated as a reduction (increase) in Cost of products sold. At December 31, 2000 and 1999, KACC's net receivables from these affiliates were not material

KACC was a founding partner (during 2000) in MetalSpectrum, LLC, an independent neutral online site to serve manufacturers, distributors and customers in the specialty metals business Since KACC's interest in MetalSpectrum is less than 10%, it is being accounted for on the cost basis.

On April 1, 1999, KACC sold its 50% interest in AKW L.P. ("AKW") to its partner for $70.4, which resulted in the Company recognizing a net pre-tax gain of $50.5 (included in Other income (expense) - Note 1). The Company's equity in income of AKW was $2.5 and $7.8 for the years ended December 31, 1999 and 1998, respectively.

Summary of Combined Financial Position

	December 31,			
	2000		1999	
Current assets	$	350.1	$	370.4
Long-term assets (primarily property, plant, and equipment, net)		327.3		344.1
Total assets	$	677 4	$	714.5
Current liabilities	$	144.1	$	120 4
Long-term liabilities (primarily long-term debt)		331 4		368.3
Stockholders' equity		201 9		225.8
Total liabilities and stockholders' equity	$	677 4	$	714.5

Summary of Combined Operations

	Year Ended December 31,					
	2000		1999		1998	
Net sales	$	602.9	$	594.9	$	659.2
Costs and expenses		(617.1)		(582.9)		(651.7)
Benefit (provision) for income taxes		(4.5)		8		(2.7)
Net income (loss)	$	(18.7)	$	12 8	$	4.8
Company's equity in income (loss)	$	(4.8)	$	4 9	$	5.4
Dividends received	$	8.3	$	-	$	5.5

The Company's equity in income differs from the summary net income (loss) due to varying percentage ownerships in the entities and equity method accounting adjustments. Prior to December 31, 2000, KACC's investment in its unconsolidated affiliates exceeded its equity in their net assets and such excess was being amortized to Depreciation and amortization. At December 31, 2000, the excess investment had been fully amortized. Such amortization was approximately $10.0 for each of the years ended December 31, 2000, 1999 and 1998.